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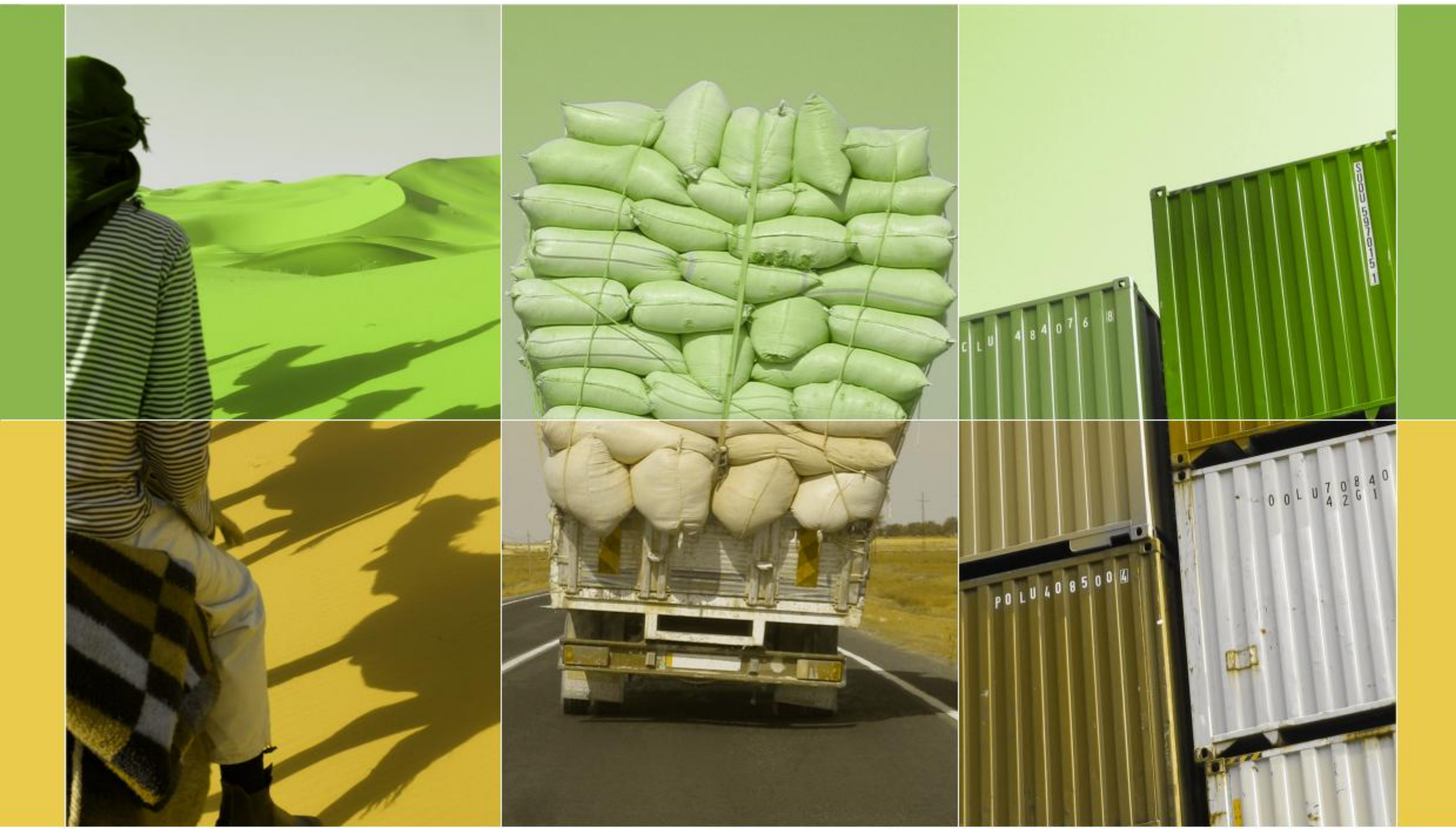

Regional Agricultural Trade in East Africa

A focus on Kenya, Tanzania and Uganda

gtz Trade Programme

On behalf of
Federal Ministry
for Economic Cooperation
and Development

Publisher:

Deutsche Gesellschaft für

Technische Zusammenarbeit (GTZ) mbH

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January 2010

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List of Abbreviations

AfDB	African Development Bank
CAADP	Comprehensive Africa Agriculture Development Programme
COMESA	Common Market for Eastern and Southern Africa
EABC	East African Business Council
EAC	East African Community
EAC-ARDP	EAC Agricultural and Rural Development Policy
EAC-ARDS	EAC Agriculture and Rural Development Strategy
EAFCA	Eastern Africa Fine Coffees Association
EAFF	Eastern Africa Farmers Federation
EAGC	Eastern African Grain Council
EPA	Economic Partnership Agreement
ESADA	Eastern and Southern Africa Dairy Association
EU	European Union
FAO	Food and Agriculture Organization
FEWSNET	Famine Early Warning Systems Network
FPEAK	Fresh Produce Exporters Association of Kenya
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
IGAD	Intergovernmental Authority on Development
KBS	Kenya Bureau of Standards
KENFAP	Kenya National Federation of Agricultural Producers
KNCCI	Kenya National Chamber of Commerce and Industry
MoU	Memorandum of Understanding
NEPAD	New Partnership for African Development
PRS	Poverty Reduction Strategies
PSDA	Private Sector Development in Agriculture
RATES	Regional Agricultural Trade Expansion Support Program
RATIN	Regional Agricultural Trade Intelligence Network
REC	Regional Economic Community
RESAKSS	Regional Strategic Analysis and Knowledge Support System
ROPPA	Réseau des Organisations Paysannes et des Producteurs Agricoles de L'Afrique de l'Ouest
SACAU	Southern African Confederation of Agricultural Unions
SADC	Southern African Development Community
SIDA	Swedish International Development Agency

SRBO	Support of Regional Business Organizations in East Africa
STSs	Structured Trading Systems
TCCIA	Tanzania Chamber of Commerce, Industry and Agriculture
UNFFE	Uganda National Farmers Federation
USAID	United States Agency for International Development
WFP	World Food Programme
WRS	Warehouse Receipt System
WTO	World Trade Organization

1 Introduction

The East African region has an area of 1.82 million km² with a population of about 126 million. The regional GDP is US$ 75 billion, with a per capita GDP of US$ 576. There are large economic disparities within the region, with Kenya having the largest economy and Burundi the least developed (see Table 3).

Table 3: GDP in 2008 within the East African Community

Country	GDP (in million US$)	% of regional GDP	Per capita GDP (in US$)
Kenya	34507	45.9	895
Tanzania	20490	27.3	482
Uganda	14529	19.3	459
Rwanda	4457	5.9	458
Burundi	1163	1.5	144
Total	75146	100	576

Source: World Bank 2009a

The East African region is diverse in terms of agro-ecological conditions. In Kenya, the economic powerhouse, three-quarters of the land is semi-arid, and thus hardly suitable for agricultural production. Consequently droughts occur frequently causing food shortages, as most agricultural production systems depend on rainfall. Tanzania is endowed with many high production zones, especially the mountainous areas. However, the centre of the country is semi-arid. Uganda - with its fertile soils and favourable climate - provides excellent conditions for agriculture.

2 Main regional trade flows

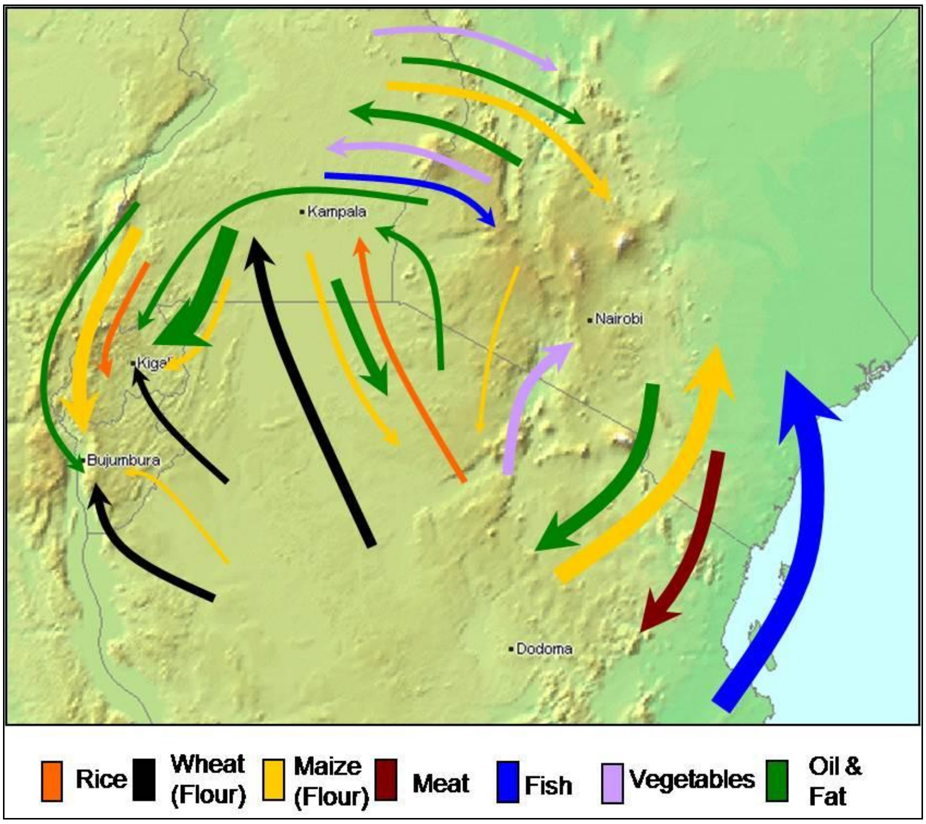
Agricultural trade patterns within the East African region reflect the economic development levels of the respective countries. Kenya has a positive balance of trade with most countries in the region, not least due to its advanced agriculture and food industry. For the first time in 2007, the export revenue of US$ 1.12 billion from horticulture (fruit, vegetables, flowers) exceeded the national revenue from tourism. According to the Tanzanian trade ministry, Kenya's exports to Tanzania are six times higher than Tanzania's exports to Kenya. The Kenyan processing industry for agricultural products, especially oils and fats, milk and dairy products, meat and meat products, and fruit and vegetable products plays an important role. The general trade pattern indicates that Kenya imports raw agricultural products from neighbouring countries, while processed food products are exported to the whole region. In terms of marketing, the value chain has a broader base than in neighbouring countries. Kenyan supermarket chains have opened up new sales channels for agricultural products and are already expanding into Kenya's neighbouring countries. Since approximately three-quarters of the country are arid or semi-arid, Kenya is increasingly becoming a net importer of staple foodstuffs (wheat, maize, palm oil) from the region and from the world market (including South Africa). This drought-prone geographic location experiences regular food crises, which could be solved by regional trade flows from surplus zones of production. Generally intraregional trade flows in East Africa predominantly occur between neighbouring countries. Multi-country import is only common in Kenya, which receives beans from Rwanda and maize from Malawi and Zambia.

An important factor to be considered when assessing the volume of agricultural trade within the region is its high level of informality. According to estimates by ministries and industry associations, about 80% of trade in agricultural produce and food in the region is informal and not statistically recorded. For example, 400,000 head of livestock are apparently traded informally each year between Kenya and Tanzania. This informal trade is known in the region as 'Panya Road' (mouse road). The main reasons for it seem to be the complicated approval procedures, poor management of transport and logistics infrastructure and border controls that make official trading practically impossible, particularly in the case of small consignments of goods or perishable products. Statutory regulations, standards and harmonisation efforts within Regional Economic Communities (REC) do not apply here.

There are efforts to establish regular monitoring mechanisms to estimate the volume of the informal trade of grains in East Africa. It is estimated that the informal maize trade from Uganda and Tanzania to Kenya was 170,000 tons from January to July 2009. Moreover the Ugandan informal trade of beans to Kenya is significant, estimated at about 83,000 tons in the same period (EAGC-RATIN 2009).

Maize trade, the main staple food in the region, evens out the different production potentials in the regions. For instance, Kenya receives large shares in 'normal' years from its neighbours Tanzania and Uganda (FEWSNET 2009). However, the situation differs due to changing climatic or political circumstances.

Figure 1: Main agricultural trade flows in East Africa



Source: own compilation

Kenya – Tanzania

Historically, Kenya and Tanzania have enjoyed strong agricultural trade ties. Among other factors, this trade has evolved due to poor transport infrastructure within Tanzania, making Kenya an outlet for surplus food production from the Arusha and Lake Victoria regions. Currently Tanzania has improved its infrastructure, which has widened the food sources for the Kenyan market. It is now common for maize from Southern Tanzania, parts of Malawi, and Zambia to reach the Kenyan markets of Nairobi (EAGC-RATIN 2008/2009).

The main agricultural production areas of northern Tanzania are reliable and inexpensive sources of food for the insecure marginal agricultural southeast and south-western lowlands of Kenya. In return, Tanzanian farmers and traders get relatively better prices compared to the domestic market. However, trade can easily reverse depending on seasonal complementarities (USAID 2007).

Maize, rice, and beans are the main staple foods traded between these two countries. Maize remains the principal commodity imported into Kenya from Tanzania, followed by beans, fish, rice, root crops, and sugar (EAGC-RATIN 2008/2009). Wheat flour and sugar remain the major agricultural commodities imported by Tanzania from Kenya, both in terms of quantity and value. Moreover, various fruits and vegetables grown in the northern part of Tanzania are regularly traded in the urban markets of Nairobi and Mombasa, where the products are further processed. These processed food products can then be found in Tanzanian supermarkets and small shops all over the country.

Uganda – Kenya

Maize, beans, bananas, and oilseeds are the main primary agricultural commodities traded between Uganda and Kenya. The volume of both formal and informal trade in basic foodstuffs was estimated at about US$ 200 million per year in 2000 (EAGC-RATIN 2008/2009). Since many agricultural products command higher prices in Kenya, cross-border trade with Kenya is basically important to Uganda. Thus, for example, maize, rice flour, sorghum, beans, pineapples, oranges and bananas are exported to Kenya, whereas, with the exception of small quantities of stone fruit, Kenya exports almost exclusively to Uganda, processed food such as cooking oil, sugar, wheat flour and dairy products. The value of finished goods exported by Kenya to Uganda is greater than Uganda's exports to Kenya.

The food security linkages between Kenya and Uganda are strong as Uganda has made the expansion of food exports to neighbouring countries an official part of its food security policy. Maize and beans have been a focus of the export promotion efforts, while Kenya's frequent deficits in both food staples have been well recognised by traders and policy-makers in Uganda. As several major production zones lie close to the Kenyan border, the largely unregistered trade takes place predominantly in areas close to the border. Though informal, this kind of trade is accepted and government agencies take little action against it. The compliance with standards is rarely inspected for these commodities, although there are frequent concerns about the moisture content of Ugandan maize, which might be too high according to EAC quality standards for maize (USAID 2007). With regards to other food products, Kenya recently imposed stricter quality standards in the dairy sector, which Ugandan producers and traders referred to as 'protectionist measures' that were imposed to protect the relatively expensive Kenyan dairy industry.

Uganda – Tanzania

Both sides of the Uganda-Tanzania border experience similar and favourable agro-climatic conditions, conducive for ample food production with surpluses exported to Kenya and Rwanda. There is limited trade within the border areas. Agricultural trade between Uganda and Tanzania is low compared to trade between Tanzania and Kenya, Zambia, Rwanda, Burundi, Democratic Republic of Congo, and Malawi.

Rice, beans, and some bananas are the main staple foods traded between Tanzania and Uganda. Beans and some bananas are exported to Uganda from Tanzania but the direction of trade can reverse depending on the season's performance on either side of the border. Rice is mainly imported from Tanzania, and remains the largest commodity traded between the two countries, mostly informally (USAID 2007).

3 Relevant institutions, policies and strategies

There are three important regional blocs in Eastern and Southern Africa: the Common Market for Eastern and Southern Africa (COMESA), the East African Community (EAC) and the Southern African Development Community (SADC), which have significant differences in terms of market integration. Recently, the COMESA customs union entered into force in June 2009. However, the EAC members of COMESA (Kenya, Uganda, Rwanda, and Burundi) did not join the union, stating they have not yet agreed to join the customs union and still need more time to consult. Once again the problem here is duplication of membership. As the EAC has already established a customs union in 2005, it is not possible to join another customs union (unless the tariffs are the same). 11 SADC member states, including Tanzania, launched the SADC Free Trade Area (FTA) in 2008. The FTA aims to abolish customs duties on 85% of all goods by the end of the year; duties on the remaining 15% are due to be eliminated by 2012. However, out of SADC's 14 member states, the Democratic Republic of the Congo and Angola are not part of the free trade zone.

On 22 October 2008, EAC, SADC and COMESA held a summit in Kampala, at which a resolution was passed, creating a free trade zone consisting of member countries of all three blocs. The proposed free trade zone would comprise 527 million citizens in 38 countries and extend from the Mediterranean to the Cape of Good Hope. The three blocs have since set up a Tripartite Task Force to spearhead all coordination processes. The removal of non-tariff barriers to trade is a key component of this new initiative. Other areas of cooperation for the three blocs are in sectors such as infrastructure development, energy, investment promotion and air transport liberalisation. This recent initiative was developed to tackle the problem of multiple memberships of individual countries in different regional organisations, a prime factor that is currently hampering the integration process. Of the 26 member states of COMESA, EAC and SADC, 13 are members of two organisations. However, membership in more than one customs union is by definition not possible, unless the different customs unions agree upon common external tariff rates.

The negotiations with the European Union (EU) to create Economic Partnership Agreements (EPAs) make the issue more complex, since the EPA country groups are not identical to the regional organisations. The EAC is the only REC in Africa to have concluded an EPA with the EU. However, this is not a fully-fledged EPA and is confined to issues of market access and investment and is still subject to additional negotiations. The development dimension that was originally part of the EU's EPA concept is to be incorporated as part of these additional negotiations.

The East African Community (EAC)

The EAC was founded in 1999 by Kenya, Tanzania and Uganda, with Rwanda and Burundi joining in 2007. Today, the EAC comprises a market with approximately 120 million inhabitants, of whom 70-90% earn their living directly or indirectly in the agricultural sector. The timetable for integration within the EAC envisages creating a common market (by 2010), the introduction of a single currency (the East African shilling by 2012) and a political federation (by 2015). Several other countries' applications to join the EAC are pending. Promising talks on extending the Community - initiated by Burundi - are being held with the Democratic Republic of the Congo. Ethiopia and Somalia are also potential candidates who may join an extended EAC - partly with the aim of stabilising the latter. It is also considered realistic that southern Sudan will join following the referendum on independence.

In 2005, the EAC passed a resolution to establish a customs union and eliminate all customs duties among its member states by 2010. Currently, under this programme to annually reduce custom duties, 413 products from Kenya are still subject to duties when exported to Uganda and 146 when exported to Tanzania. Kenya has not imposed duties on articles originating in Tanzania and Uganda since 2005. The EAC treaty also includes escape clauses permitting Kenya and Tanzania, for example, to uphold their current trade bans on grain. The Common Market should be completed by 2010, and free movement of goods and persons will be introduced.

With regards to agricultural and food security, the *EAC Development Strategy 2006-2010* highlights the promotion of value addition, enhanced productivity and competitive agricultural supplies to realise cross-border trade for sustainable food security. The regional strategy of enhancing supply capacities in agriculture will entail identifying high value agricultural sub-sectors for which the region has comparative advantage. Efforts will be made to identify activities, which are more suitable to regional cooperation such as agricultural research on similar agronomic zones, seed multiplication and distribution, livestock multiplication and distribution, control of plant and animal diseases, management of irrigation and water catchments, and developing information exchange mechanisms on the status of food security in the region.

The *EAC Agricultural and Rural Development Policy (EAC-ARDP)* has been developed following the Council of Ministers' directive. The overall objectives of cooperation in agriculture and rural development are the achievement of food security and rational agricultural production. This would pave the way for the implementation of other measures aimed at improving the welfare of the people in the region. The Partner States have therefore undertaken to adopt a scheme for the rationalisation, improvement and commercialisation of agricultural production and rural development with the aim of promoting complementarity and sustainability of rural life. The specific objectives are to:

- Achieve food security in the EAC, and improve the standards of nutrition by increasing output, quality and availability of food;
- Encourage rational agricultural production to promote complementarity and specialisation;
- Improve standards of living in the rural areas through increased income generation from agricultural production, processing and marketing;
- Increase foreign exchange earnings by encouraging production and export of agricultural and fisheries products;
- Support industrialisation;
- Encourage the development of new and appropriate technologies that improve the productivity of land and labour;
- Promote the sustainable use and management of natural resources (soil, water, fisheries and forest) to conserve the environment.

The East African member countries have developed the *EAC Agriculture and Rural Development Strategy of 2005-2030 (EAC-ARDS)* as an instrument for the EAC-ARDP. The strategy proposes several actions and interventions to facilitate the process of rural development. The focus and emphasis is guided by the EAC-ARDP and some of the members' policy prescriptions contained in their respective Poverty Reduction Strategies (PRS), the Poverty Reduction Plans and current Development Plans (EAFF 2008).

Kenya, Tanzania and Uganda have set up ministries for East African cooperation. Their responsibility consists primarily of coordinating tasks with the EAC Secretariat and carrying out public relations work. The ministries' main role is to ensure complete participation of their respective countries in the integration process. The sectoral ministries of the member states are responsible for technical matters. Agricultural and trade issues are referred to these ministries.

Decision-making within the EAC is the sole responsibility of the Council of Ministers (consisting of representatives of the five governments). All decisions are reached by consensus. This makes decision-making processes in the EAC complicated and protracted. To date the EAC has not had any legislative authority comparable for example with EU bodies such as the Commission or Council passing regulations and directives. For that reason, any resolution passed within the EAC has to be implemented first under national law by the member states. There are plans to transform the EAC Secretariat into a commission modelled on the European Commission at a later date.

The EAC Secretariat, located in Arusha, Tanzania, is responsible for preparing the resolutions made by the Council of Ministers. The Secretariat's staff themselves describe the capacities of the EAC Secretariat as limited. Many of the EAC's initiatives and resolutions are not published due to a lack of resources. The general public has a correspondingly poor level of knowledge about the EAC's activities. Of a total of 80 to 90 professionals in the EAC Secretariat, only three work specifically on agricultural issues. They are the head of division, an agricultural economist and a veterinary expert. There is also a trade department with a staff of five working mainly on international trade policy and in particular on the EU's EPAs. With regard to further negotiations with the EU, they are compiling a joint list of sensitive agricultural products that account for up to 20% of trade volume and are to be granted exemption from EU/EAC trade liberalisation.

Within the trade agenda (internal and external tariffs, standardisation of customs procedures, negotiating EPAs with the EU), the EAC Secretariat's work in the agricultural sector concentrates mainly on harmonising sanitary and phytosanitary standards. There are no joint policies on market management and control comparable to the Common Agricultural Policy within the EU.

Although the EAC explicitly seeks close cooperation with private industry and offers private industry organisations official observer status, cooperation was slow in practice. In order to position the private sector as a driving force and partner in policy development in the region, Regional Trade Associations were set up under the USAID-supported Regional Agricultural Trade Expansion Support Program (RATES), specialising in maize, milk, coffee, cotton and textiles. They are the Eastern African Grain Council (EAGC), the African Cotton and Textiles Industries Federation (ACTIF), the Eastern and Southern Africa Dairy Association (ESADA) and the Eastern Africa Fine Coffees Association (EAFCA).

The Eastern African Grain Council (EAGC)

The Eastern African Grain Council (EAGC) is a regional organisation based in Nairobi. It was founded in June 2007 to coordinate matters concerning the grain industry on a regional level. The organisation was launched under the RATES programme supported by USAID between 2003 and 2008 to promote intraregional trade in agricultural products. Systematic cooperation between the EAC Secretariat and the private agricultural sector also exists within USAID's RATES, which ran from 2003 to 2008 to promote intraregional trade in agricultural products.

Apparently, the RATES programme is so far the highest profile project aimed specifically at promoting and institutionalising regional trade structures in the agricultural sector.

Today USAID and the Swedish International Development Agency (SIDA) support the EAGC. The organisation's financing is guaranteed for at least five years through the support of USAID and SIDA. In the medium term, the organisation intends to finance itself through members' subscriptions and fees for services.

The EAGC represents actors at all stages along the grain value chain and industry, including grain farmers, traders, the milling industry, service providers and national associations. The EAGC sees the promotion of intraregional trade in grain as its core task. More specifically, the EAGC is concerned with collecting and exchanging data on the regional trade in grain as well as promoting investment in marketing systems and commodities exchanges.

The EAGC aims to be the first partner that regional governments contact on all issues connected to the grain market. Interviewees stated that the EAGC enjoys a high degree of acceptance by regional governments due to its broad network. As mentioned above, cooperation between the EAGC and the EAC has been formalised in a MoU.

East African Business Council (EABC)

The EAC Secretariat's most important private industry partner currently is the East African Business Council (EABC). This is an umbrella organisation of industry associations from Kenya, Tanzania and Uganda, which is being funded under the advisory programme to the EAC entitled Support for Regional Business Organization (SRBO), which is part of German development cooperation. However, this source of funding for the EABC runs out in 2009.

The EABC was founded in 1997 with the aim of promoting and supporting the economic integration process in the region. The association currently has 117 members, consisting of 90 companies and 27 associations from various sectors of the economy. The EABC is regarded in the EAC as being well positioned. The association compiles, for example, a regional business climate index and works with the EAC as a privileged partner in identifying trade barriers. Other donors are seeking to cooperate with the EABC. Interviewees in the EAC Secretariat described the association as an active lobbyist that brings a broad range of issues to the Secretariat's attention.

Eastern Africa Farmers Federation (EAFF)

The Eastern Africa Farmers Federation (EAFF) - a relatively young organisation founded in 2001 and made up of agricultural umbrella organisations and chambers of commerce from Kenya, Tanzania, Uganda, Rwanda and the Congo - receives limited funding from the associations funding component of the German advisory programme to the EAC.[1]

The EAFF represents its national farmers' association members (e.g. KENFAP) at meetings or consultations at regional, continental and international levels. It lobbies on behalf of its member organisations to open up barriers, reduce restrictions and establish access to markets and information. In particular, the EAFF participates in discussions on trade rules and regulations, which might lead to agreements in agricultural trade (e.g. WTO or Economic Partnership Agreements). Furthermore, the EAFF contributes to the implementation of rural development protocols, which aim at eradicating poverty and ensuring food security such as NEPAD-CAADP (New Partnership for Africa's Development-Comprehensive Africa Agriculture Development Programme), FAO Special Programmes for Food Security) or IGAD (Intergovernmental Authority on Development) projects. The EAFF fully supports the CAADP initiative. It participated in the regional planning meetings in Accra in 2005 to prepare for the launch of CAADP's implementation. In 2008, the EAFF contributed to the international CAADP conference in Rwanda.

The EAFF strongly supports the creation of an Eastern African common market. A customs union is favoured over a free trade area. For instance, the EAFF has contributed to establishing the EAC (East African Community) Common Market Protocol and is confident that it will be signed by the end of 2009. This protocol contains important rules like free movement of labour and capital, reduction of all internal tariffs to zero or harmonisation of standards and trading practices. The ratification process was slowed down since Tanzania had some objections against the rules on free labour movement and land rights.

In particular, EAFF addresses three main issues. First, the EAFF wants to promote regional integration. This includes educating farmers on the benefits of regional integration and easing substantially or removing non-tariff barriers to trade, especially harmonising sanitary and phytosanitary regulations. The EAFF also supports the harmonisation of monetary policies and the promotion of peace to create the necessary framework for regional integration. The second topic is value addition. The EAFF wants to educate farmers on the benefits of value addition and more research in this field. Moreover, the EAFF aims at creating manageable lending

[1] Supra-regional agricultural federations that maintain working relationships with other regional economic associations on issues connected with agriculture and rural development are SACAU in Southern Africa and ROPPA in West Africa.

policies to improve small-scale farmers' access to medium and long-term lending opportunities. The EAFF also strives to protect the small-scale farmers' activities, for instance by addressing the problem of products from abroad being dumped into EAFF countries. The third issue concerns infrastructure. EAFF demands the improvement of roads and the railway network, reduction of telecommunication costs and investment in irrigation and post-harvest facilities.

National Chambers and Farmers Associations

At the national level, several organisations have a stake in agricultural trade, most prominently chambers of commerce and farmers associations. In Kenya, the Kenya National Chamber of Commerce and Industry (KNCCI) is an independent non-profit, private industry organisation. It was founded in 1965 to represent the interests of private industry and is based on voluntary membership of companies from all sectors of the economy, including agriculture. The chamber has 68 branches across the country and is funded by members' subscriptions. The chamber cooperates with chambers in Uganda and Ethiopia and also - as part of the EU's Pro-Invest programme - in Hamburg and London. In the chamber's view, regional trade in agricultural products has so far not been the focus of an economic integration policy. On the contrary, it believes member countries aim to be self-sufficient for political reasons and have a tendency to isolate their agricultural sectors. Tanzania and Kenya's bans on exporting grain to each other prove this.

The Kenya National Federation of Agricultural Producers (KENFAP) is the umbrella organisation for Kenyan agriculture, representing around 1.4 million farmers who are organised into 4,000 farmers' groups and product associations. The federation is a member of the EAFF. For many years, KENFAP has received financial and technical support from a number of development partners, including GTZ's bilateral programme Private Sector Development in Agriculture (PSDA). The federation's central aim is to organise and empower its members. KENFAP sees its remit as lobbying and improving market access for agricultural producers who are mainly in a weak market position. The federation takes a critical view of endeavours to liberalise regional agricultural markets, yet sees the commitments entered into by the government as binding and irreversible. KENFAP believes that, since Kenyan farmers face higher production costs than those in neighbouring countries, the Kenyan government should impede imports of staple foods to Kenya and pay Kenyan farmers a higher guaranteed price for maize.

For the horticultural sector, the Fresh Produce Exporters Association of Kenya (FPEAK) represents 120 member companies in the export-focused fruit, vegetable and flower sector. The association was founded in 1975. It lobbies the national government and also government agencies in countries where its key sales markets are located. Currently, the main issues it addresses in its national lobbying work are taxes, development of infrastructure (roads, docks, communications) and sanitary and phytosanitary regulations. In the international arena, FPEAK works on the issue of sanitary and phytosanitary restrictions on horticultural produce from Kenya and is active in the field of marketing, participating for example in trade shows in Germany, the United States and Asia. The most important destination for fruit, vegetables and flowers is the Netherlands. The association offers its members a comprehensive raft of information and training services and makes intensive use of the internet as a means of communication. FPEAK runs the Secretariat of the Horticultural Council for Southern, Eastern and Central Africa (HCA), a network founded in March 2007 in Nairobi that links horticultural associations from 12 countries - Kenya, Ethiopia, Uganda, Tanzania, Rwanda, Burundi, Malawi, Zambia, Mozambique, Lesotho, Swaziland and South Africa. According to FPEAK, the value of horticultural exports in HCA member countries has grown by 50% in the last 25 years and now represents 18% of agricultural exports. However, it believes that ever-tougher global competition means that exporters in the region need to cooperate even more intensively. One of the association's key aims is to establish a regionally coordinated position with regard to negotiations with the EU on EPAs. It also sees its remit as promoting information exchange on issues such as market access, production systems and technologies and building capacities in its member organisations. Although its main activities focus on overseas exports, the regional market is also important for FPEAK. For example, a number of its members produce large volumes of vegetable products (like beans and sweet corn) in Tanzania. Uganda is a growing market for passion fruit from Kenya, where the product attracts higher prices than in Europe. Along with other organisations, such as the Kenya Bureau of Standards (KBS), the association is actively involved in a number of technical cooperation projects at EAC level. They include a programme on harmonising product standards for fresh and processed horticultural produce, a joint protocol on regulations governing organic farming (Kenya, Uganda, Tanzania) and a programme on harmonising phytosanitary regulations across EAC member countries.[2]

In Tanzania, the Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) is a national body that represents the interests of private industry. It was established in 1988 with SIDA's support and comprises 21 regional chambers and 80 offices at district level. Partly due to its decentralised structure, the chamber sees itself as the organisation that is most representative of Tanzanian agriculture and as the legitimate representative of agriculture's interests. The chamber also sees itself as having played a part in reorienting the country's economic system towards a market economy, which began in 1995. The TCCIA is integrated into regional and international networks of chambers of commerce but not in federations uniting the regional small farmers associations such as the EAFF. The chamber's members believe that one of its current key tasks in the agricultural sector is to support the Tanzanian Agricultural Sector Development Programme. This is the government's 6-year plan for developing agriculture, comprising activities in the fields of mechanisation, irrigation, extension services and rural infrastructure. The chamber has developed a concept entitled 'Integrated Farm Service Center', which plans to set up a network of agricultural service centres at village level, based on the warehouse receipt system. The centres would serve as collection and storage facilities for agricultural produce and provide agricultural machinery and inputs, especially fertilisers.

The Uganda National Farmers Federation (UNFFE) is the umbrella organisation for agricultural producers in Uganda. The organisation was set up in 1992 and sees itself as a leading platform, representing the interests of agriculture in Uganda. The federation is a shareholder in the Uganda Commodity Exchange, which operates warehouses and sells agricultural produce to public institutions (schools/prisons), yet it also aims to support the export of agricultural products (e.g. coffee). The federation is also involved through its regional branches in operating warehouses. It exchanges information with the Eastern African Grain Council but is not a member. The federation is a member of the EAFF, which it sees as an important contributor to the strengthening of agriculture in the regional context. However cooperation on a practical level has not significantly evolved yet. With regards to regional agricultural trade, the federation stressed that building capacities within the EAFF is necessary to enable them to facilitate effective coordination and representation of farmers in the region. Moreover the farmers' knowledge about marketing opportunities and channels needs to be improved. The creation of information systems at regional level would be a tool to reduce procurement costs for agricultural inputs.

4 Barriers to trade and possible solutions

Export bans

Temporary export bans constitute a common feature in national policy in order to retain agricultural production in the country. Most actors of the private sector perceive this measure as critical as it would discourage production. Generally protectionist measures such as export bans result in high price volatility (Dorosh, Dradri & Haggblade 2009). If free regional inflow and outflow of products was allowed, the price

[2] All EAC countries have statutory marketing standards for fruit and vegetables, but they have not yet been harmonised.

range remains small and more predictable. Minimum and maximum prices over a year would be determined by the export and import parity price respectively.

In 2008, the Kenyan government issued an export ban on maize. Kenya occasionally receives emergency aid from the World Food Programme (WFP) as a result of drought in the northern part. Due to this cooperation with the WFP it is perceived as immoral to export food crops. Many private sector actors like the Eastern African Grain Council advocate for a policy of open regional markets. Government protectionist measures could pose difficulties for market participants and result in harvests being ruined and should therefore also be rejected out of consideration for food security.

In Tanzania, an export ban on food staples has been in place since 2007. This adversely affected the critical situation in Kenya in 2009. The ban acted as a production disincentive for many farmers in the countries' most productive regions. For instance, in the southern regions of Mbeya and Rukwa, the most lucrative market channels to Zambia and the Democratic Republic of Congo have become illegal. Due to the high transport costs from the production zones to deficit areas in the centre and the north of the country the farmers receive low prices for their products. For most Tanzanian traders the imposed trade bans further strained transfrontier exchange between surplus and deficit areas. Generally most private actors in Tanzania do not support trade bans. Notwithstanding the resulting market disruptions it is virtually impossible to impose effective bans on trade in grain since 80% of cross-border trade is unregistered and occurs informally.

In Uganda, the agricultural sector has been largely given over to private industry. Unlike in Kenya and Tanzania, there is no government intervention (such as the purchase of grain, for example).

Customs procedures, taxes, bribes and delays

High additional costs in the region incurred by often arbitrarily applied taxes and bribes are seen as a key obstacle to expanding exports of agricultural products. Quite often government charges for official certification at the borders ('for the stamp'), which are not connected with any real checks, are an additional burden on trade. This leads to more products being channelled informally. The border procedures, including customs and immigration requirements are said to be slow, bureaucratic and not transparent enough. Farmers said that there are about nine documents to clear when trading across the border. They also complained that certificates of origin are only issued in the cities hence making it difficult to obtain.

The current World Bank Doing Business reports show significant variations among the East African countries concerning the ease of cross-border trade. Tanzania has a comparatively favourable environment. While cross-border trade in Kenya and Uganda incurs considerable costs and delays, the situation is even worse in Rwanda and Burundi (see Table 4).

Table 4: World Bank Doing Business Report 2009 and 2010

Category	Kenya	Tanzania	Uganda	Rwanda	Burundi
Trading across borders (rank)	149/147	103/108	145/145	171/170	173/175
Documents to export (number)	9/9	5/5	6/6	9/9	9/9
Time to export (days)	29/27	2424	39/37	42/38	47/47
Cost to export (US$ per container)	2055/2055	1262/1262	3090/3190	3275/3275	2347/2747
Documents to import (number)	8/8	7/7	7/7	10/9	10/10
Time to import (days)	26/25	31/31	37/34	42/35	71/71
Cost to import (US$ per container)	2190/2190	1475/1475	3290/3390	5070/5070	4035/4285

Source: World Bank (2008 and 2009b)

Bribing the police at checkpoints is a significant cost factor. Bad governance continues to be a problem, given the complicated border controls where several different government agencies are often present and work independently of one another (e.g. Bureau of Standards, Plant Health Inspection Services, Customs Department). In a recent study, ReSAKSS assessed the relevance of non-tariff barriers for maize and the beef trade in East Africa. Roadblocks were cited as the major non-tariff barrier in the region with Kenya having the highest number, hampering free trade within the region. There is an average of 11 roadblocks in Kenya at an average distance of 194kms. Tanzania reported six roadblocks at an average of 310km, while there were 10 roadblocks at an average of 213km in Uganda (ReSAKSS 2009). According to the study, Uganda reported more than 50% of the total maize transfer costs from origin to destination coming from non-tariff barriers. Kenya attributed about 35% of total maize transportation costs to various non-tariff barriers while Tanzania reported 12%. The report suggests that the reduction or elimination of non-tariff barriers will reduce the higher transfer costs in the region. It also calls for the streamlining of administrative procedures at border points through harmonising and simplifying trade regulations. The study also advocates a regional approach to removing non-tariff barriers to exploit economies of scale. The research further suggests that designing and implementing efficient monitoring systems to provide feedback to relevant authorities was critical if unnecessary barriers are to be removed.

Moreover, the lack of border control points that are open around the clock regularly causes delays lasting several days on the border, especially between Kenya and Uganda. They cost freight companies between US$ 300 and US$ 400 per day. This is a particular problem in the case of small volumes of goods. Roadblocks and long delays at the border threaten the quality of products, most of which have short shelf lives. As part of the USAID-supported RATES programme, the EAGC has developed a simplified customs procedure for small traders in the COMESA region. It includes waiving requirements for certificates of origin. Although the procedure has been documented in a brochure, it is unclear whether government agencies and local industry stakeholders are aware of it.

Lack of awareness and understanding/Limited capacity at regional and national level

The general public has not been sufficiently informed of the benefits of intensified regional cooperation and integration. As a consequence, they are generally indifferent towards the EAC. There is immense scope to raise awareness among the citizens and political decision-makers at the national level. GTZ has undertaken some small steps in that direction. Farmers' sensitisation seminars on the customs union and regional integration in East Africa were carried out jointly by EAFF and EAC with support from the GTZ programme *Support of Regional Business Organizations in East Africa* (SRBO). The objectives were to sensitise farmers in the region about the customs union, to create awareness of the opportunities it creates, and to get farmers' feedback on regional integration and their perceived challenges in regional agricultural trade (EAFF 2007).

On the level of political decision-makers, the Tanzanian government seems especially cautious of any opening towards its northern neighbour. This led to a significant slowdown of the EAC integration process. Differences between the countries' levels of development and political history, combined with nation-state thinking, still undermine mutual trust and the integration process. Moreover, many actors believe that additional capacities are needed at the EAC Secretariat level for more effective programme implementation. Delays are caused by limited numbers of staff at the technical level. The technical capacities of staff with regards to agricultural trade issues should also be enhanced. For instance, there are currently only three agricultural experts in the EAC Secretariat.

Poor implementation of food safety standards

Food safety standards are becoming increasingly important in the region. This measure of consumer protection faces several challenges related to standards application and inspection. Lack of mutual recognition of standards often acts as a barrier to trade. The procedures and SPS requirements in the region are not harmonised in practice, neither are they adequately communicated to the farmers. There is scope to introduce common systems, for instance in the fields of operating procedures, recordkeeping and auditing. In addition, unnecessary regulations should be eliminated. Countries are currently duplicating analytical, testing and other capacities. There is evidently much to be gained from establishing single 'centres of excellence' in specialised areas (training, testing of pesticides, etc.). Currently, Kenya is reluctant to accept certificates of the Bureaus of Standards in Tanzania and Uganda, for example in the dairy industry (Inter Press Service 2009). Instead Kenyan officials impose tests at the border, leading to delays. Producers and exporters from Uganda and Tanzania complain that Kenya's activities are merely a measure of protectionism.

Insufficient knowledge of and consequently limited adherence to food safety standards are hampering formal trade flows and consumer protection. Improving farmers' knowledge about organising regional markets, the importance of common standards and better knowledge of the relevant legal regulations are essential factors for developing and sustaining regional trade flows.

Another dimension is the arbitrary and improper inspection of food standards. Quite often, governments charge for official certifications and food safety inspections at the borders ('for the stamp'). These charges however are not connected to any real checks. This practice makes it more difficult to implement effective phytosanitary and sanitary checks and is therefore detrimental to food safety.

Transport Infrastructure

Inadequate transport infrastructure and poor management of transport in the region is a decisive obstacle to the development of regional trade. Transport costs are astronomical not only within the region but also within individual countries. For instance, transport costs account for up to 80% of the value of mangoes from Mombasa that are sold in Nairobi.

Given the characteristics of landlocked countries such as Uganda, transport costs contribute significantly to the consumer prices for imported goods. Generally, according to information supplied by the AfDB, transport costs in African landlocked countries account for an average of 14% of the value of the exports, compared with 8.6% in developed countries. In Uganda's textile industry, transport costs account for an 80% share of export value. In Rwanda these costs are as high as 48% (AfDB 2008). This incurs significant additional costs, especially because Kenya does not allow freight companies to bring other goods back on the return trip (back haulage).

In Tanzania too, high transport costs are regarded as an obstacle to the development of regional trade in eastern Africa. We were told that the core problems for Tanzanian farmers are high transport costs and the poor condition of the transport system. This makes it more economical for northern Tanzania to import rice from abroad than to buy it from southern Tanzania. Due to the poor condition or total lack of national trunk roads, goods that are transported to the north sometimes have to pass through Kenya, which increases strain on capacities there and involves additional costs at the border crossings. The World Bank, the African Development Bank (AfDB) and other international donors are currently financing a number of projects to upgrade roads in the region and establish a network of national and regional transport corridors. Examples include the Arusha-Namanga-Athi River road, which will connect central Tanzania and Kenya, the Singida-Babati-Minjingu road, the Iringa-Dodoma road and other road construction projects in Tanzania, as well as the Isaka-Kigali rail route that is being constructed as part of the East African Transport and Trade Facilitation Project.

Poor post-harvest management

Post-harvest management involves storage, processing and transportation of the raw product. In many East African countries, post-harvest losses for maize in 2008 ranged between 16 and 22 percent (Post Harvest

Losses Information System, 2009). For other crops such as fruits, vegetables and root crops, which are less hardy than cereals, post-harvest losses can reach 50%. High post-harvest loss rates of up to 27% in the Ugandan dairy sector cause severe economic damage to the households: 6% is wasted at the farm level, while 11% and 10% of production is lost either to spillage or spoilage during transport or marketing respectively (FAO 2003). This is caused by a lack of rural infrastructure. Furthermore many farmers are forced to sell their produce when prices are at their lowest level, like immediately after the harvest.

To consolidate grain production on the basis of uniform marketing and quality standards, the EAGC is advocating its warehouse receipt system (WRS). Under this system, farmers deliver their harvest to a particular warehouse and are given a warehouse receipt. On the basis of these receipts, participating banks then immediately grant a loan of up to 80% of the probable value of the goods. After the grain has been sold within a period of up to three months the loan is repaid. The receipts are tradable and can be purchased by milling companies, grain traders or the government to create reserves. A receipt guarantees a particular quality, quantity and the precise place of storage. This system gives farmers immediate funds and enables them to have better control of the period at which they wish to sell. The concept is currently being tested with maize in a pilot project in Nakuru. The participating partners consist a grain trader and a bank. EAGC intends to certify other warehouses in the North and South Rift region in the near future and to extend the concept to wheat.

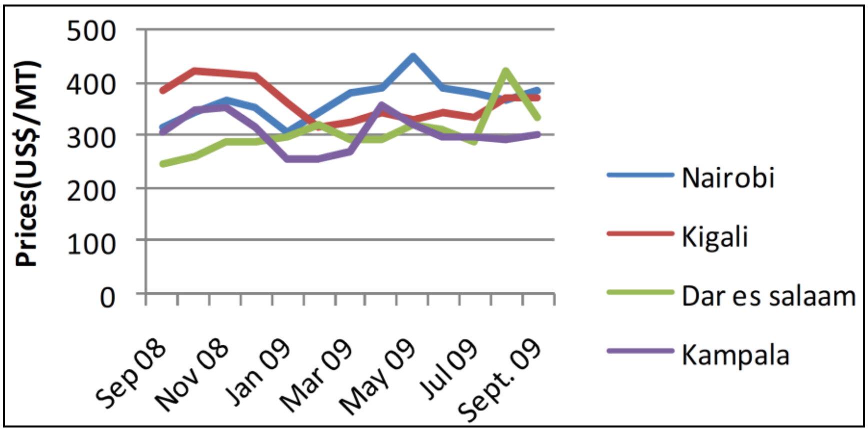
In Tanzania, a similar idea is currently being developed with so called Farm Service Centres. In addition to the warehouse facilities, the centres would provide agricultural machinery and inputs, especially fertilisers. Cooperation with the farmers is to be contract-based (contract farming). As in Kenya, the farmers would receive funds from the banks on the basis of their warehouse receipts. Sales would be organised through the service centre. The concept, which is currently being tested in four villages, also includes crop failure insurance. The centres would be run by the private sector. Provision of venture capital would be needed. The intention is to set up the centres along the proposed routes for the transport corridors to maximise their potential (e.g. Dar es Salaam - Rwanda/Burundi - the southern Congo). It is hoped that the service centres will help to reduce post-harvest losses, which are now extremely high.

Insufficient access to market information

The farmers' knowledge about marketing opportunities and channels has been identified as a constraint. Farmers complained about regional markets access arguing that it is difficult for them to access market information. Moreover, many claim that there are unscrupulous middlemen who reap all the benefits of trade at their expense and even prevent the farmers from entering directly into the markets. Therefore, farmers urge private and public organisations to seek, compile and disseminate market information for agricultural products in the region as a solution to this problem.

Regional market information and forecasting systems for prices, harvests and market supply situations could play a key role in promoting farmers' marketing efficiency and competitiveness. There is also need for information about regulations and procedures in regional and international trade. EAGC supports the introduction of 'structured trading systems' (STSs) such as hedging, collateral management and forward trading, which it believes can improve market transparency, function on the regional grain market and abolish government interventions such as export bans and physical reserves. Specifically, the organisation is endeavouring to set up a regional grain exchange. Another EAGC project involves cooperating with traders to compile trade statistics on the basis of daily reports on goods traded transnationally. According to our sources, the traders who are paid for their participation have good contacts with the freight companies, making it possible to achieve a reliable assessment of the volumes traded. Overall, EAGC sees the introduction of market information systems that give an overview of purchasers, sellers, quantities, prices and logistics as important for the development of regional trade. The EAGC itself makes market information for the grain sector available through the Regional Agricultural Trade Intelligence Network (RATIN).

Figure 2: Regional maize wholesale prices for selected markets



Source: EAGC-RATIN 2009

Low productive capacities

Many private actors believe that measures to promote trade have to be accompanied by measures to increase productivity. The latter is at least equally as important as opening up markets. Representatives of the private sector indicated that Ugandan agriculture's productivity levels are too low to enable it to make greater use of export opportunities. In particular, the country's small-scale production structures and low level of mechanisation are not flexible enough to respond to the required speed to changes in demand. For that reason, Uganda was scarcely able to benefit from higher food prices in 2008.

However, in Kenya it was observed that although support for farmers in recent years had concentrated with great success on agricultural production, today it is necessary to focus on issues of marketing and processing agricultural products. This also means stepping up cooperation with the private sector in the area of agribusiness.

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